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ABSTRACT

Education finance and administration have been studied on the premise that the technical attributes of superior financial allocation schemes can indeed be identified. Given that they can, it follows that it should be possible to discern refinements that, once adopted, would enhance the practical functions of the allocation scheme. In this paper, an examination of the federal education finance systems of Australia, Canada, and the United States is presented in an effort to identify elements of schematic uniformity of each system. To facilitate this identification, the paper describes the education finance system in each of the three nations. It is concluded that it has been the interpretation and the application of the constitutional context of each country over the course of time that has shaped the dimensions of the respective national systems of education finance. The resulting profile provides evidence that the quest for an ultimately effective allocation scheme is not primarily influenced by sound analytical investigation but by prevailing political culture. (RR)

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AN INTERNATIONAL COMPARISON OF EDUCATION FINANCE SYSTEMS

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AN INTERNATIONAL COMPARISON OF EDUCATION FINANCE SYSTEMS

Year by year considerable attention and study is devoted in various quarters to matters of education finance and administration. Much of this activity is premised on the thesis that careful analyses can indeed identify the technical attributes of superior financial allocation schemes and that the implementation of preferable features will follow recognition.

The reasoned extension of the thesis would suppose the evolution of education finance systems toward greater schematic integrity. Over time, as techniques of finance are subjected to detailed analysis, it should be possible to discern refinements which once adopted would enhance the practical function of the allocation scheme. Thus it could be assumed that systems of education finance mature within their operative jurisdictions to produce some standard format.

If the thesis is valid, there should be considerable evidence of symmetry in the application of education finance techniques among jurisdictions as an awareness of schematic effectiveness developed over time. In order to determine the validity of the thesis, a series of options are available. Examination of select education finance systems could be conducted at either the national (federal), state (provincial), or local government level. In this paper, an examination of the federal education finance systems of Australia, Canada, and the United States is presented

in an effort to identify elements of schematic uniformity common to each. To facilitate this identification the paper first describes for the reader the education system in each of the three nations. With this perspective in place a discussion is forwarded as to whether the above thesis is valid.

AUSTRALIA

In 1966 the Federal Department of Education was established by the Australian federal government to coordinate the application of education policy. During the succeeding years an advisory and supervisory body to the Department was decided by the government to be necessary. It was a result of this decision that in 1973 the Commonwealth Schools Commission was created. Over the following decade plus, the advisory role of the Commission has been eroded leaving its primary function the supervision of the administration of national education finance procedures. Recommendations eminating from the Commission must be within temporal and fiscal guidelines predetermined by the federal government. (It should be noted that Australia does not maintain a structure of local government in the form of elected school boards having revenue responsibilities.)

The distribution of federal financial support for elementary-secondary education is made to the six states and two territories in relation to public or government schools, private or non-government schools, and joint programs shared within an area by public and private schools. Federal grant payments for

public school and for private school education include the features of a general recurrent or block grant to each state and territory based on student enrolment with an index, up until the Hawke's government (1983), favoring private schools, other recurrent grants to support designated education programs throughout the nation, and a capital grant. The exception is the school system of the Australian Capital Territory (ACT) which receives its block operating funds directly from the Federal Department of Education rather than through the annual general recurrent grant calculations. Joint programming is funded by a package of grants which, for example, support educational services designed for country areas with sparce student demographics as well as a category of funding entitled Projects of National Significance contributing toward federal priorities such as aboriginal education, computer education, and the specific education requirements of girls.

An examination of the proportionate revenue contribution for elementary-secondary education by level of government (Table 1) shows that the financial input of the Government of Australia has declined from the level of 21.2% of total revenue recorded in 1974-75 to an annual average in the vicinity of 18.0% between 1978 and 1982. Conversely, the proportionate input of revenue from state and territorial governments has expanded to fill the void left by the federal government's reduced level of funding.

August, 1984 the Federal Minister of Education announced the details of a revised system of elementary-secondary education finance in response to a series of reports prepared by the Commonwealth Schools Commission during the duration of the preceding education finance plan in the early 1980s. Federal legislation in the form of The States Grants (School Assistance) Act of 1983 was approved to establish the allocation scheme for the first four years of an eight year period commencing January, 1985.

The new national system for funding public and private schools on a common basis is determined by a "community standard" of education recommended by the Commonwealth Schools Commission ($A2195 per elementary student and $A3240 per secondary student). The standard encompasses the general recurrent costs of education resources for students in a typical school. Federal grants to the states and territories in support of general recurrent expenditure account for 70% of the total annual value of federal grants thereby making this component the most significant. An added feature of this new funding system is the pro-government as opposed to non-government education system. Where in the past the latter system tended to be favored, the reverse is now evident - the community standard for general recurrent funding would be supplemented by ten percent of public schools in recognition of the commitment of the federal government to public education and the obligation of universality to be observed by public schools.

Under the plan, the general recurrent grant paid to states for public schools and calculated per student will be increased progressively each year to raise the federal government contribution through this block grant to eight percent of the community standard plus the ten percent supplementary allocation per public school student by 1992. From 1985 to 1992 general recurrent funding to public schools will increase by 41.2%.

The general recurrent grant paid to states for private schools and calculated per student will be increased each year dependent upon the percentage of revenue raised by private schools from private sources. The annual level of block funding for private schools will be determined by twelve categories ranking private schools according to the revenue they raise from non-government sources such as tuition fees. The categories of private schools raising less funding from private sources will receive a per student recurrent grant of higher value. From 1985 to 1992 general recurrent funding to private schools will increase by 15.1%.

The federal categorical grants to both public school and private school systems continue to be allocated to states and territories in relation to assessed educational needs and enrollment levels.

CANADA

A national model of elementary-secondary education finance does not exist in Canada given the virtually exclusive role of the

provinces in maintaining school systems. Therefore no operative techinques are to be described. Those limited measures of financial and administrative involvement on the part of the Government of Canada in the provision of education related services are indirect and form supplements to wider policy mandates.

In 1966 the Federal Department of the Secretary of State was designated to act as the administrative agency within the Government of Canada for some of the federal programming relating to education. The department was likewise assigned responsibility for representing the Government of Canada in federal-provincial relations pertaining to education. This involvement by the department largely relates to post-secondary education.

The financial support of the Secretary of State for elementary-secondary education exists in the form of payments to the provinces and territories under the terms of the official languages legislation of the federal government. The Government of Canada has promoted language education for official language minorities, Anglophones in Quebec and Francophones in the other provinces and territories, since 1970. In 1983 a new protocol was negotiated by the federal government with the provincial and territorial governments for minority second language instruction in either of the two official languages. As a result, three year bilateral agreements have been activated. Here, provinces are required to submit information demonstrating the additional costs

being encountered each year and it is this cost that is eligible for federal support. Allocated federal support is either on a per student basis or in the form of a contribution towards specific minority official language education projects agreed to by both levels of government.

Payments made by the Federal Department of Indian and Northern Affairs in support of Indian and Inuit students and the Federal Department of National Defence in support of the education of dependents of military personnel generally are calculated in relation to the current average per student level of expenditure in each province or territory.

Of the total value of financial support for elementary-secondary education by the Government of Canada in 1981-1982, $C444.6 million, virtually half of the amount was assigned to Indian and Inuit education. The administration of these federal funds is the responsibility of the Federal Department of Indian and Northern Affairs. Minority official language education received 25% of the total federal appropriation for elementary-secondary education 1981-1982. The administration of these federal funds is the responsibility of the Federal Department of the Secretary of State. The education of the dependents of military personnel accounted for 7% of the total appropriation by the Government of Canada toward elementary-secondary education. The balance of the appropriation was expended to assist with the education of handicapped students

in institutions for which the federal government shares responsibility with the provinces, with education in federal penitentiaries, and with other additional items.

Overall, the proportionate revenue contribution for elementary-secondary education by the Government of Canada has been slightly less than three percent of the total revenue accorded that level of schooling in Canada during the past decade (Table 2). The proportionate contribution by provincial and territorial governments has grown marginally over this period of time to 67.7% while the proportionate input of local government in the form of school district boards has declined a limited extent to the level of 25.6%. This variation in percentage among the three levels of government reflects the concentration of target populations eligible for federal support as well as the reliance of the provincial education finance schemes on property taxation by the local government jurisdiction.

The contributions by the Government of Canada toward elementary-secondary education are conveyed to the provincial and territorial governments. An exception to this distributive pattern pertains to the payment of funds to Indian band councils operating schools on treaty lands or the direct operation of federal schools for Indian and Inuit students under the auspices of the Federal Department of Indian and Northern Affairs. However, such cashflows are recorded similarly according to their province or territory of destination.

UNITED STATES

In parallel to events in Australia, the Government of the United States established (1979) a Federal Department of Education to coordinate the application of education policy and to administer federal education finance procedures. This coordination and administration task performed, for the most part, within the specifications of Chapter 1 and Chapter 2 of the Education Consolidation and Improvement Act of 1981 (ECIA - Public Law 97-35) and Part B of the Education of All Handicapped Children Act of 1975 (Public Law 94-142). These education program mandates together constitute about 65% of the total annual value of the U.S. Department of Education appropriation for elementary-secondary education.

Chapter 1 funding pertains to the education of disadvantaged students. The rate of federal appropriations dependent on the number of children (ages 5-17) from low income families residing within each state. The annual value of federal appropriations relative to average per pupil expenditure in the state. The Secretary of Education is to allocate 87% of funds to the states for grants to local educational agencies and 13% to the state education agency for state-wide services. Of the 87% proportion of the state entitlement, 75% of the value is to be determined by the number of children from low income families and 25% of the value is to be determined by the ratio of the school age population of the state to the school age population in all

states. The value of the 13% proportion for the support of state-wide services is to be based on the student populations eligible for compensatory educational services.

Each state is to allocate the federal sums received in any fiscal year to local educational agencies on the basis of data which the state determines are consistent with meeting the needs of eligible children including measures of poverty, educational deprivation or other such indicators deemed appropriate. A local education agency is to expend the federal funds received only for compensatory programming. The school district is to determine the educational needs to be addressed and the content of programming.

Chapter 2 of the ECIA is, according to its title, to provide financial assistance directed toward the improvement of school resources and performance. Primary responsibility for distributing Chapter 2 funds within several broad categories was turned over to the states with the enactment of The ECIA; however, at least 80% of the federal entitlement must be turned over to local school districts. The basis for this allocation to the local districts can be subjected to state discretion as well as federal. For instances, states can, to a degree, decide what factors to use in passing on federal funds and the relative influence to be assigned to various factors.

Within states the bulk of Chapter 2 money is being allocated to school districts on the basis of enrollment. State education authorities are required to allocate funds to local school

districts on the basis of their enrollments adjusted to acknowledge the proportion of high-cost students in a district. Formulas in some cases are adjusted to provide higher per pupil allocations to school districts having large numbers of "high cost" students, for example, children from low income families or living in economically depressed areas and children living in sparsely populated areas. Several states use such a large number of indicators to define high-cost that the practical effect of these multiple indicators is to make the high-cost factor applicable to a large number of students approximating general enrollment in school districts.

The remaining 20% can be retained at the state level for such costs as administration, special services, pilot programs, research, and so forth.

The intent of the grant allocation provision of The Education of All Handicapped Children Act is to assist the states in defraying the excess costs of educating students with special needs at the preschool, elementary and secondary levels. Excess costs are defined as those expenditures in excess of the costs of regular education programs in each state.

In addition to the population based federal financial support to the states, federal funds are also authorized for a variety of discretionary grant programs to improve the delivery of educational services to students with special needs.

Overall, the proportionate revenue contribution for elementary-secondary education by the Government of the United States increased during the 1970s and approached ten percent of the total revenue accorded that level of education in 1979-1980, then dropped to six percent by 1983-84. Conversely, the proportionate revenue input from state governments has risen in excess of two percent, and from local government in the form of school district government in the form of school district boards by one percent, to replace the reduced input of the federal government during the 1980s (Table 3).

IS THE THESIS VALID?

The above profile of the national education finance systems of Australia, Canada, and the United States reveals little schematic symmetry in operative techniques. The distinct approaches of each of the three education finance schemes largely outnumber common features. It can be observed that major determinants of the format of national systems of education finance would appear to be influenced by jurisdictional convention. The uniform adoption of an optimal funding scheme to support elementary-secondary education which could serve to enhance both educational and fiscal equity are subject to modification by key factors indigenous to particular jurisdictions. One such factor foremost in the shaping of systems of education finance is the constitutional mandate of the national

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entity defining federal and state/provincial relations and obligations for the delivery of educational services.

The Constitutions of Australia, Canada, and the United States define varying avenues of governance, which when applied to matters of education finance and administration, cause the development of national allocation schemes to occur within the appropriate context. Reference to the Constitutions of the three nations provides evidence of the differing parameters of governance directing education finance.

The Commonwealth of Australia Constitution Act of 1900 implicitly designated responsibility for education to lie within the preview of state governments. However, Section 96 of the Act allows intervention by the Government of Australia to the extent that it deems necessary.

Section 96 Financial Assistance to States

> During a period of ten years after the establishment of the Commonwealth and thereafter until the Parliament otherwise provides, the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit.

The Constitution Act of Canada of 1867 explicitly designated responsibility for education to the provincial governments.

Section 93 Education

> In and for each Province the Legislature may exclusively make laws in relation to education ....

The use of the term legislature clearly describes the authority of provincial legislative assemblies as distinguished from the

Parliament of Canada. This precise constitutional statement has excluded the Government of Canada from augmenting its very limited and indirect involvement in elementary-secondary education.

The passage of The Constitution Act of Canada of 1982, a contemporary companion to the constitutional document of 1867, has perhaps opened the door to a more pronounced national role in elementary-secondary education in the future. The Canadian Charter of Rights and Freedoms has enacted Section 15, Equality Rights, as a supreme criterion within the Canadian legal framework as of April 17, 1985. All forms of provincial statutory governance including laws administering the delivery of elementary-secondary education will henceforth be required to comply with national equality rights. The inequitable availability of educational services throughout the provinces of Canada could ultimately lead to greater involvement by the federal government.

The Constitution of the United States, implicitly designated responsibility for education to state governments under Article 10 of 1791 which reads:

> Article 10
>
> The powers not delegated to the United States by the constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.

The involvement of the Government of the United States in supporting elementary-secondary education has been guided by Article 14 of 1868 which ensures civil rights.

This examination of the constitutional orientations of Australia, Canada, and the United States provides evidence of the prerequisites for education finance schemes existing in each jurisdiction. It has been the interpretation and the application of the constitutional context of each country over the course of time which has shaped the dimensions of the respective national systems of education finance. Such factors may or may not be in direct response to the technical requirements of effective funding devices to support the delivery of educational services. One is then left in the position that the thesis is not strongly supported. Instead, the resulting profile provides evidence that the quest for an ultimately effective allocation scheme is not primarily influenced by sound analytical investigation but by prevailing political culture.

TABLE 1

PROPORTIONATE REVENUE CONTRIBUTION FOR ELEMENTARY - SECONDARY EDUCATION BY LEVEL OF GOVERNMENT - AUSTRALIA (1974/75 - 1981-82)

Year	Total Revenue	Federal Government		State Government	
		Amount	% of Total	Amount	% of Total
1974-1975	$ 4,927,500,000	$ 1,043,400,000	21.2%	$ 3,884,200,000	78.8%
1975-1976	5,222,600,000	977,200,000	18.7%	4,245,400,000	81.3%
1976-1977	5,438,600,000	1,032,600,000	19.0%	4,406,000,000	81.2%
1977-1978	5,698,000,000	1,058,000,000	18.6%	4,639,900,000	81.4%
1978-1979	5,794,400,000	1,045,000,000	18.0%	4,749,300,000	82.0%
1979-1980	5,826,000,000	996,700,000	17.1%	4,829,300,000	82.9%
1980-1981	5,926,100,000	1,034,600,000	17.5%	4,891,500,000	82.5%
1981-1982	6,011,600,000	1,122,700,000	18.7%	4,888,900,000	81.3%

Source: Australian School Statistics, Commonwealth Schools Commission, Canberra, January 1984

TABLE 2

PROPORTIONATE REVENUE CONTRIBUTION FOR ELEMENTARY - SECONDARY EDUCATION BY LEVEL OF GOVERNMENT - CANADA (1974/75 - 1981-82)

Year	Total Revenue	Federal Government		Provincial/Territorial Governments		Local Governments	
		Amount	% of Total	Amount	% of Total	Amount	% of Total
1974-1975	$ 7,188,539,000	$ 211,720,000	2.9%	$ 4,621,663,000	64.3%	$ 2,058,269,000	28.6%
1975-1976	8,348,361,000	218,611,000	2.6%	5,482,418,000	65.7%	2,326,663,000	27.9%
1976-1977	10,032,880,000	257,531,000	2.6%	6,612,267,000	65.9%	2,801,584,000	27.9%
1977-1978	11,649,830,000	324,369,000	2.8%	7,776,698,000	66.7%	3,098,676,000	26.6%
1978-1979	12,261,190,000	343,895,000	2.8%	8,002,399,000	65.2%	3,453,715,000	28.2%
1979-1980	13,518,582,000	353,745,000	2.6%	8,927,245,000	66.0%	3,689,655,000	27.3%
1980-1981	15,051,184,000	424,830,000	2.8%	10,192,935,000	67.7%	3,845,426,000	25.6%
1981-1982	16,777,830,000	444,649,000	2.7%	11,365,389,000	67.7%	4,294,186,000	25.6%

Source: Financial Statistics of Education, Statistics Canada, Ottawa, December 1984

TABLE 3

PROPORTIONATE REVENUE CONTRIBUTION FOR ELEMENTARY - SECONDARY EDUCATION BY LEVEL OF GOVERNMENT - UNITED STATES (1975/76 - 1983-84)

Year	Total Revenue	Federal Government		State Government		Local Governments	
		Amount	% of Total	Amount	% of Total	Amount	% of Total
1975-1976	$ 71,206,073,000	$ 6,318,345,000	8.9%	$ 31,776,101,000	44.6%	$ 33,111,627,000	46.5%
1977-1978	81,443,160,000	7,694,194,000	9.4%	35,013,266,000	43.0%	38,735,700,000	47.6%
1979-1980	96,881,165,000	9,503,537,000	9.8%	45,348,814,000	46.8%	42,028,813,000	43.4%
1980-1981	105,904,908,000	9,888,007,000	9.3%	50,207,192,000	47.4%	45,809,709,000	43.3%
1981-1982	113,530,000,000	8,430,000,000	7.4%	55,100,000,000	48.6%	50,000,000,000	44.0%
1982-1983	120,430,000,000	8,150,000,000	6.8%	58,330,000,000	48.4%	53,950,000,000	44.8%
1983-1984	127,590,000,000	8,200,000,000	6.1%	62,570,000,000	49.0%	56,820,000,000	44.5%

Source: Digest of Education Statistics, National Center for Education Statistics, Washington, 1980 and 1983

Report of the Comptroller General to the Congress (1984), U.S. Government Accounting Office, Government of the United States, Washington, November 1984

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